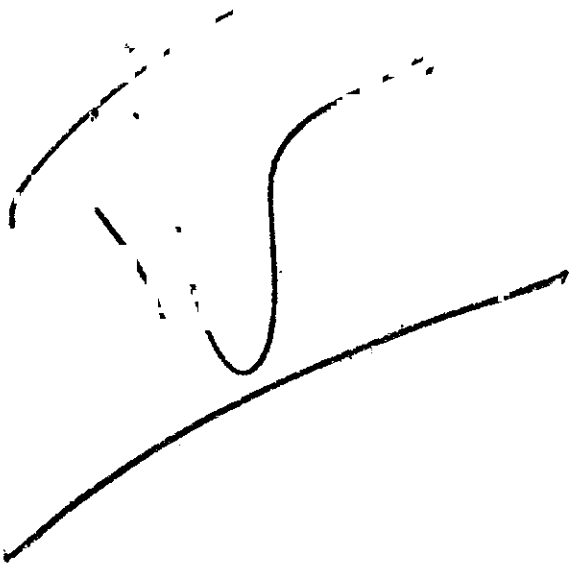
1951 **File No.** AcP 325

B CLASS

P.W. **DEPARTMENT**
K **BRANCH**

Subject:— Audit of Electricity merged ~~State~~ by the local Authorities



B [K] 195

Std. Sectt. 78A o.

G. R., G D., No. 2408, dated 22-6-22.]

Correspondence

DOCKET SHEET (B)

Subject :—

File No. ACP 3251

P.W. DEPT.

K BRANCH.

References :—

Original file sent to Maharashtra

Date.	To whom sent.	Notes and instructions.

A.G.'s Office, OAD, B'BAY

Returned with compliments.

2. The revised draft forms in which the private licensees and the local suthorities have to render the annual accounts of the electricity under takings contained in Annextures IV & V to Indian Electricity Rules (Draft) have been published by the Central Electricity Board for general information in the Gazettee of India Extraordinary Part II, Section 3 dated February 17, 1951, Pending finalisation and issu of the revised forms, the local authority licensees may be asked to submit the annual accounts inx the forms in Annexture IV to the Indian Electricity Rules 1937 (along with the statement of Financial and Technical Data in such form as may be prescribed by the State Govt.).

2. As regards Audit, clause II (a) of the Schedul to the Indian Electricity Act 1910, under which the audit of the accounts of private licensees is entrusted to the Examinat, O.A.D., does not apply to the local authorities. Under the Bombay local Fund Audit Act, 1930 the accounts of local authorities including the accounts of electricity undertakings managed by them are audited by the Examiner, local Fund Account who is the Auditor for Local Boards, Municipalities etc.

The audit of the annual statements submitted to Govt. by the Local authorities will, therefore be audited by the Examiner, L.F.A. who will no doubt consult the Outside Audit Department in all cases of doubts or difficulties. It is not practicable for this office to entrust the audit of the initial accounts and annual statements ofthe local authorities to two different parts of the Office of the Accountant General.

Sd/-

Examiner , Outside Audits

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Accountant General's Office, Bombay

U.O.R. to Government in the Public Works Department,

Bombay., No. O.A./ 1113 dated the 4th May 1951.

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G.C.P. _ (j) H 135-15,000-8-50
G.M., F.D. No. 1790/33/17007-A dated 30-7-41

Telegraphic Address :- LOCAL FUNDS.
Telephone No. 23865

It is requested that, in future communications on the this subject, the No. and date of this letter, and the distinguishing letters above the No. as given opposite may be quoted; and the reply addressed to-
The EXAMINER, LOCAL FUND ACCOUNTS, BOMBAY.

No. L. 17/1-874.
Office of the Accountant General,
Local Audit Department,
Bombay 12th May 1951

From :- The Examiner Local Fund Accounts
Bombay.

To

The Secretary to Government,
Public Works Department, Bombay.

Subject:- Accounts of Municipal Power Houses.
in merged states.

Sir,

I beg to invite a reference to this office letter No. L. 17/1-4960 of 7/2/1951 on the subject cited above and to enquire as to when the orders of Government in the matter may be expected.

Yours faithfully,

Sd/-

Assistant Examiner.

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ACP 3251
39563/41896

h.B. P.W.D.

The A.G's. remark at pp. 23-24 ante are submitted with ref. to the O.N. dt. the 4/4/51.

2. The A.G. has suggested that the audit of the accounts of Municipal Power Houses be entrusted to the Examinaxxxx er Local Fund Account and not to the Examiner Outside Audit, who is the auditor for the private licenses, as it is not practicable for his office to entrust the audit of intxxial accounts and annual statements of accounts of the local authoritiesx to two different parts of his office. In view of this his suggestion may be accepted in xxx consultation xxx with the L.S.G. & P.H.D.

Id/-n29/5/

3. It is presumed that no fees are to be paid by the local authority licensees for the audit of their accounts Before seuding the papers u.o. to the F.S.G. & P.H.E., the A. G. may be requested u.o. to confirm the above presumption.

Id/- 19/5/51. Id/- 22/8/51

U.O. to the A.G. B'bay dt. 24th May 1951.

ACP 3251
57207

A.G's Office, Bombay.
L.A.D.

Returned with compliments.

2. As the accounts of the electrical undertakings are incorporated in the Municipal accounts, and since no audit fees are leviable in respect of Municipal accounts, the presumption in para 3x of the U.O.R. dated 24-5-1951. would appear to be correct.

Sd/- T.N. Ratnam
Examiner, Local Fund Accounts.

U.O.R. to the Secretary to Govt. P.W.D. Bombay
No. L. xx 17/1-1663 dated 2/9/51.

K. Br. X P.W.D.

Submitted with reference to the O.N. overleaf.

2. The papers may be fefd. u.o. to the L.S.G.

and P.H.D. with reference to para 2 of the O.N. overpage.

Id/- 7/7/51 Id/- 10/7/51.

U.O.R. to the L.S.G. and P.H.D. dt. 12th July 1951.

L.S.G. & P.H.D.

TheA.G. Bombay has suggested to entrust the audit of accounts of the Municipal Power Houses to the Ex. L. F. As. and not to the Ex. Guilde Audit.

L.S.G. & P.H.D.

The P.W.D. has proposed to accept the suggestion made by the A.G. this Dept. may agree with the proposal of the P.W.D.

2. Under rule ~~14~~ 14A of the Bombay Local Fund Audit Rules 1931, framed under the B.L.F. Audit 1930, in the case of accounts of Local bodies except those of School Boards a test audit of three months accounts, ~~related~~ selected at random, is ordinarily to be carried out and a general review of the accounts of the remaining nine months has to be included in such audit. However, under sub-rule (b) to that rule Public Works accounts of local bodies a few works can be seleted for the detailed audit. As the power houses managed by the local bodies are commercial concern it is desirable to have a detailed audit in their cases. with the above remarks the papers may be returned to the P.W.

Id/- 20/7/

Ex. L.F. accted. ~~accted~~ will see U.O. ~~of two~~ for favouring ~~Says~~ remarks before the papers are ~~returned~~ refused to P.W.D.

Id/- u.o.r. to the Ex. L.F. A.

Id/- 23/7/51

A.G's Office.
L.R.H.

Returned with compliments.

2. Though the accounts of municipal power houses are maintained on commercial principles they

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are incorporated in the municipal accounts and will be audited in the same manner and to the same extent as the other accounts of the Municipalities under the Local Fund Audit Act. Further since the transactions for the months which are not selected for detailed audit will be reviewed specially with a view to seeing whether the allocations between capital and revenue are correctly made and whether the depreciation on assets is correctly charged to the revenues etc., a detailed audit of the entire year's accounts will not be necessary and if done will entail extra cost to Government.

Id/- T.N.S. Ratnam.
Examiner, L.F.Accounts.

U.O.R. to Govt. L.S.G. & P.H.D. Bombay
No. L. 17/1-2531, dated21st Augt. 1951.

L.S.G. & P.H.D.

Submitted with reference to the office note dated 20-7-51 and the u.S's note thereon.

2. For the reasons stated in his u.o.r. the Ex. L.G. Accounts does not consider the detailed audit of the accounts of the Municipal power houses necessary We may agree with the Examiner, L.F. Accounts.

These papers may now be returned to the P.W.D.

Id/- 28/8/

U.O.R. to P.W.D. dt. 30/X2 1951.

AcP. 3251/76333
P.W. Deptt.
K.

These papers deal with the accounts and auditing thereof Electrical Undertakings managed by local Authorities.

2. In pursuance of the powers conferred by clause II(a) of the Schedule to the I.E. Act. 1910 the annual statement of accounts of all Electrical Undertakings was entrusted for audit to the A.G., Bombay vide G.R. No. 2581/36, dt. the 12-4-39. In G.L. No. 2581/36 - III-El(I), dt. the 28-7-49, Govt. had confirmed the rate of audit fees payable by the Licensees to the A.G. Bombay for the years 1948-49 upto 1950-51. It may be remembered that we then had all El. Undertakings in charge of private licensees as opposed to Local Authorities.

3. Consequent on the merger of several States with the State of Bombay and also consequent on the acquisition of B.E.S.T. by the Bombay Muny, since the 7/8/1947, the following El-Undertakings managed by Local Authorities have now come under the contr of the Bombay Govt.

Particulars.	Place	Dist.
1) Municipal Power House	Petlad	Kaira.
2) do	Patan	Mehsana
3) do	Visnagar	do
4) do	Baroda	Baroda.
5) do	Karjan	do
6) do	Savanur	Dharwar
7) Jubilee El. Works.	Sangli	Satara South.
8) Bombay El. Supply and Transport Undertaking.	Bombay	Bombay.
9) Mpl. Power House	Palanpur	Banaskantha.

Schedule II (a) of the I.E. Act., 1910, is applicable to only licensees other than Local Authorities.

In regard to Local Authority Licensees, therefore, orders will have to be issued on the following points:-

x) form in which accounts have to be rendered.

y) Authority to whom the accounts will have to be rendered for audit before submission to Govt.

z) Audit fees if any: and recovery thereof from the Licensee.

4. Form of accounts:- Under sec. 11 of the Act, Govt. has power to direct the licensee to prepare the accounts in such form and containing such particulars as may be prescribed. According to Rule 36 of the I.E. Rules, 1937, the forms prescribed in Annexure IV therein are to be used by Licensees who are Local Authorities; Govt. having the power to prescribe any form in which the accounts should be made up.

The A.V. Bombay, agrees with the prescription of the forms in Annexure IV for the preparation of accounts and advises that they may be asked to follow the financial principles laid down in the VI Schedule to the Supply Act. 1948 as for as practicable. the adhnl, information reqd. under the ppons of the VI Schedule which are called for from private Licensees, may therefore also be called for from the Local Authority Licensees in the prescribed forms.

5. As the Ely. Supply Act. 1948, stands at prestnt, the local Authority Licensees are excluded from the purview of sec. 57 of the Act, and the financial principles contained in the VI Schedule there to cannot be made applicable in their cases. The purpose of the supply act was to rationalise the production and supply of electricity and generally to take measures conducive to the electrical dev. of the area. As the financial operations of the Local Authority Licensees can only be conducive to the electrical development of the areas con-

concerned if they ~~xxxxxxx~~ are governed by the provisions of the VI Schedule to the Act, the Supply Act is being amended by the Govt. of India so as to delete the present sec. 58 altogether and make the provns. of sec. 57 and the VI schedule applicable also to Local Authority Licensees. The revised draft model forms of Annual Statement of Accounts which are being finalised by the Govt. of India (as recommended by the Central water and power commn.) are based on the provisions of the Schedule to the Supply Act and will also be made applicable to Local Authority Licensees.

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6. Pending the finalisation of the revised model form, the Local Authority Licensees may be asked to prepare their accounts in the ~~xx~~ forms prescribed in Annexure IV and also furnish the addnl. information stated above. The period for which the accounts have to be rendered in the case of each Local Authority may be ascertained from the A.G., Bombay. This is because some such licensees have already submitted their accounts in the forms prescribed in Annexure IV.

7. Auditing Authority: Under the Bombay Local Fund Audit Act, 1930, the accounts of Local Bodies, Munys., are audited by the Examiner Local Fund Account. The A.G., Bombay accordingly states that the accounts of the Ely. Undertakings will also be audited by the Examiner L.F.A. who would consult the Examiner, Outside Audit, in all cases of doubt of difficulty. The L.S.G. and P.H.D. accepts the A.G.'s suggestion.

In respect of the B.E.S. T.U., however the Examiner, Outside Audit will be the auditor, as audit of the Bombay Munpl. Corporation is done by the Munpl. Chief Auditor appointed under Sec. 135(i) of the City of Bombay Munpl. Corporation Act., 1888 and not by the Examiner of Local Fund Accounts.

For private Licensees, a detailed audit is carried out, but the Examiner, L.F.A. is not in favour of the L.S. G. & P.H.D.'s suggestion that a detailed audit be carried out of the Electricity operations of the Local Body, under the provisions of Sub-rule (b) of Rule 14 of the Bombay Local Fund Audit Rules, 1931.

We may, however, insist on a detailed audit so as to know the accounts of the Local Body in its operation of the business of supplying electricity The general public is not supposed to benefit disproportionately at the cost of the consumer of el. energy and the latter have a first claim on the profits of the Muny. of the Mly. Undertaking. The Electricity Undertaking's accounts are not reqd. to be merged with the general accounts of the Local Body and must perforce be maintained separately and audited in detail. This is also necy. in view of 'A' at p. 34 ante.

The A.G. Bombay, may see u.c. on this point. Because of enormity of the work involved and also because auditing of the accounss of Mly. Undertaings is normally outside the scope of his legitimate duties the A.G., Bombay has separately addressed Govt. regretting his inability to continue the audit of accounts of Mly. Undertakings and has advised the appointment of an (outside) auditor. When another Private Auditor auditor is in fact appointed the audit work would automatically devolve on him. till such time as he takes over charge , the A.G. Bombay, will continue to be the Govt. Auditor.

8. Audit Fees:- No. audit fees are leviable in respect of Munpl. Accounts and the A.G. Bombay, states that as the accounts of the Ml. Undertakings would be incorporated in the Munpl. Accounts no fees

would be leviable for auditing accounts of the Local Authority Licensees. In view of the insistence of maintenance of separate accounts and the detailed audit as stated in para 7 above, the A.G., Bombay may offer his remarks in the matter. If fees and expenses are to be paid for such audit, there is no provision for the recoveryof such fees from the Local Authority Licensee under the provisions of of the I.E. Act, 1910, or Supply Act, 1948. The case is different for private licensees. Under Cl. II (a) of the Schedule. to the I.E. Act, 1910 Govt. has power only in so far as Non-Local Authority Licensees are concerned to prescribe the remuneration of the auditor and to direct that the remuneration and all expenses incurred by the auditor should be recovered from the Licensees. This Cl. does not apply to Local Authorities as their audit of accounts is conducted under the various Munpl. and ~~xxx~~ other accounts. With ref. to the concluding portion of the Ex. L.F.A8s u.o.r. dt. the 21-8-51 at p. 30 ante, the L.S.G. & P.H.D. may be requested u.o. to advise whether the extra cost involved in the detailed audit of the Local Authority Licensees' Accounts can be recovered under the provisions ofthe B.L.F. Audit Act., 1930 and the Rules framed thereunder. Alternatively, perhaps, the grants-in-aid to the Munys. will have to be proportionately reduced.

Id/-

12/9/51. Id/-

18/9/51.

D.S.

Secy. I t is not clear if after acceptance of the A.G's. proposal its entrust the work of audit of non municipal Male. supply undertakings Its priv

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auditors. (This proposal is being accepted, in ~~x~~ consultation with F.D.) The accounts of Municipal Ele. S. undertakings should continued ~~their~~ to be audited by the Government auditors (examiner of L.F.A) except for Bombay city (i.e. BEST undertaking). It seems that the idea is ~~ito~~ to continue such audit and not ~~ito~~ to entrust ~~ito~~ to private auditors The audiot of Mun. Ele. supply undertakings ~~thus~~ this seems to be the correct view. In the light of provisions of the relevant enactments. governing municipal accounts.

secy. Id/- 19/9/51

Urgent

U.O.R. to the A.G. Bombay and the L.S.G. & P.H.D. dt. 20th Sept 1951 with files Nos. 2581/36 PPIII and LBY 1151).

This subject further dealt with in file No. LPT 1851

1854.

July